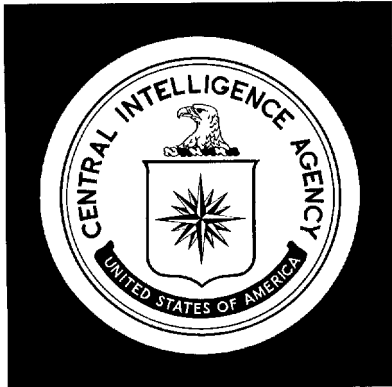


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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Nº 41

9 March 1972

State Department review completed

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Approved For Release 2003/10/01 : CIA-RDP79T00975A021400030001-0

Approved For Release 2003/10/01 : CIA-RDP79T00975A021400030001-0

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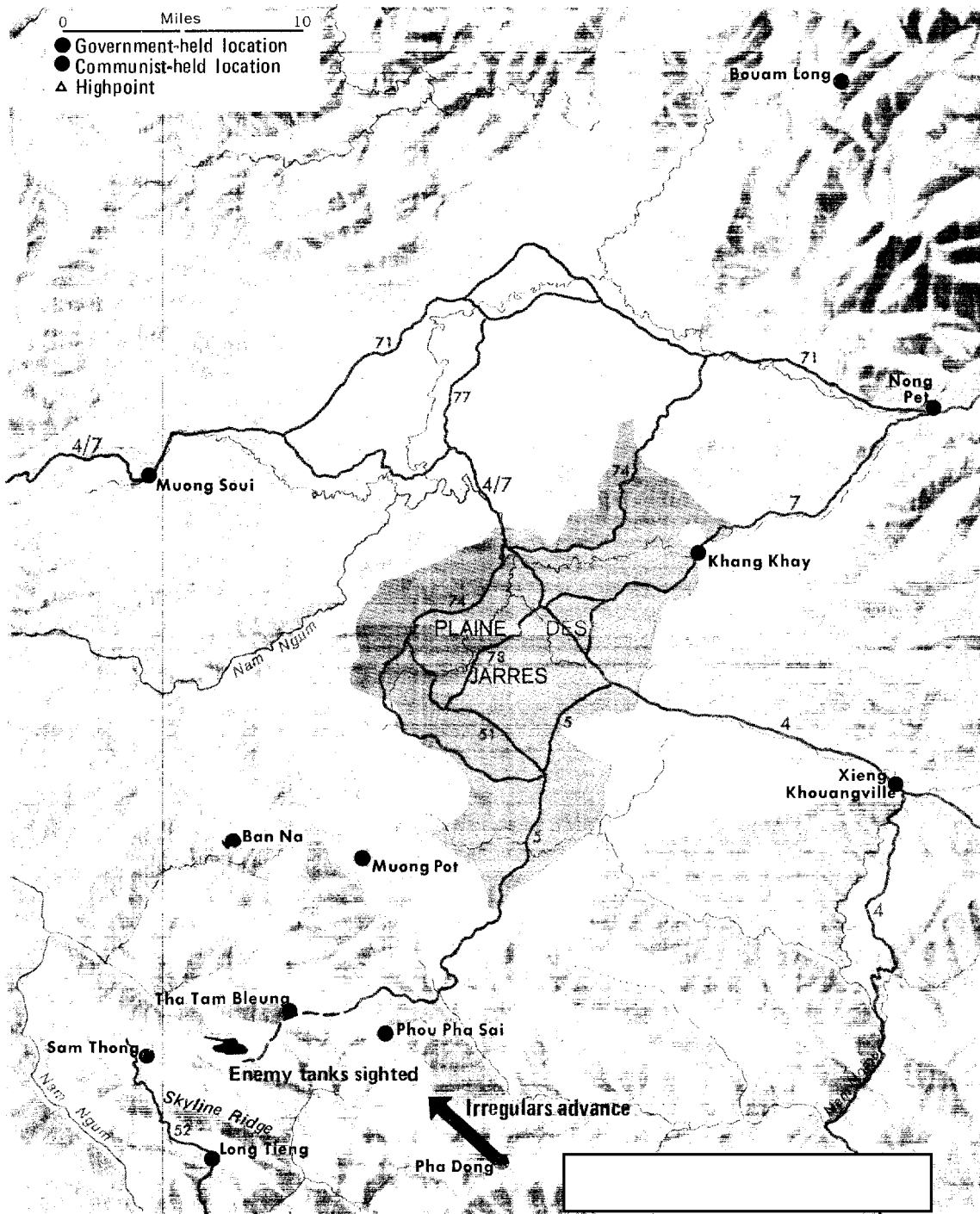
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LAOS: PLAINE DES JARRES AREA



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LAOS: The North Vietnamese appear to be moving additional equipment and large quantities of supplies closer to the Long Tieng - Sam Thong area.

US pilots report sighting tanks less than four miles from Sam Thong; the intervening terrain is easily negotiable for tanks, and a road connects Sam Thong with Long Tieng. Pilots also report that North Vietnamese field guns have been brought forward at least as far as Tha Tam Bleung.

The government has used the time bought by Vang Pao's offensive to strengthen its position at Long Tieng. Moreover, Vang Pao has recently launched a small harassing operation northwestward along the Pha Dong ridge toward Phou Pha Sai, which overlooks the new Communist supply route from the Plaine. The North Vietnamese are reacting sharply to this move, and advanced irregular units have taken substantial casualties.

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USSR-LIBYA: The Soviet presence in Libya may increase as a result of Deputy Premier Jallud's ten-day visit to the USSR, but political differences between the two states remain.

On 4 March, Jallud's final day in Moscow, the Soviets announced that they had signed an economic and technical agreement to assist in extracting and refining Libyan oil. The agreement also calls for assistance in exploiting Libyan minerals and gas, and equipping and training Libyan technicians. A small team of Soviet oil experts has been in Libya since 1970, but the new agreement may require additional personnel.

Libyan President Qadhafi has been reluctant to employ Soviet advisers, and implementation of the accord will depend on whether he clings to this view. Tripoli is concerned about the level of oil reserves available to the oil industry, however, and may be ready to use Soviet personnel for exploratory and development work in areas held by the Libyan state oil company. The Libyans also may hope to trade some of their oil for Soviet services.

Several days after Jallud's departure from the USSR, the Soviets and Libyans released separate communiqués that reflect the differences between them. Whereas the Libyan communiqué called for the closing down of all "military" bases in the Mediterranean (the terminology used in the Soviet-Algerian communiqué last year), the Soviet document referred only to "imperialist" bases. Neither mentioned Soviet military assistance to Libya, which may have been one of Jallud's reasons for undertaking the trip.

In addition to issuing separate communiqués, both sides gave very little media coverage to the visit and continue to be critical of each other in

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public statements. On 23 February, the day of Jallud's departure for Moscow, for example, the Libyans criticized the Soviet-Iraqi friendship treaty, which may be signed later this year, and on 5 March the Soviets castigated the Libyan press for trying to drive a wedge between the USSR and the Arab states. Thus, the Jallud visit marks an upgrading of the Soviet-Libyan dialogue, but the discussions probably will continue to be heated as long as Libyan President Qadhafi is unwilling to temper his opposition to Soviet policies in the Middle East.

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EUROPEAN COMMUNITIES: The EC Council's decision to resume progress toward economic and monetary union has important implications for further development of the community.

The agreement in Brussels provides for a narrowing by 1 July of the margin of fluctuation among the community currencies while they move as a group within a wider band vis-a-vis the dollar. Initially, the EC central banks will intervene in the market to maintain the agreed 2.25-percent intra-EC spread, but the Council will decide by the end of 1972 whether to establish a stabilization fund for this purpose.

Reducing the intra-EC spread to 2.25 percent by 1 July could prove difficult. The spread recently has been in the neighborhood of three percent. Moreover, prospective business trends in the EC countries suggest little tendency toward reducing this disparity. However, should short-term capital begin to flow out of West Germany, Belgium, and the Netherlands in response to renewed confidence in the dollar and interest-rate changes, the dollar prices of these countries' currencies would tend to decline and thus reduce the intra-EC disparity. Further revaluations or devaluations are not excluded by the new EC arrangements. They clearly are not desired, however.

A new mechanism to coordinate short-term economic policies was also set up and member states are to consult with the community before adopting any measures which deviate from its guidelines. A directive establishing a community framework for national measures to control disruptive international capital flows was adopted. Largely at the insistence of Italy, arrangements for increased community aid for regional development were sanctioned. The Council agreed to give priority consideration to promoting community tax harmonization and progress toward a European capital market.]

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The agreed institutional arrangements are a compromise between the French who favor "inter-state" mechanisms and others who want to preserve the existing Commission and its "dialogue" with the Council as the mainspring of community action. The mechanism for policy coordination, in particular, appears unwieldy. Nevertheless, its operation, however inefficient, implies in principle further substantial restraint on the freedom of the member states to make their own economic policies.

Agreement was made possible by a prior understanding between Paris and Bonn, and by the apparent desire of the finance ministers to act without waiting for the Council meeting, which the foreign ministers will attend next week. Dissatisfaction with current US monetary policies probably also played a role in forging the "common front."

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IRAN - WEST GERMANY: Chancellor Willy Brandt's official visit to mend Iranian-German relations achieved some limited success but fell short of Iranian expectations.

According to a joint communiqué issued at the conclusion of Brandt's visit on Wednesday, the two governments have agreed to form a joint government commission for the promotion of trade and economic and technological cooperation. The communiqué also said that the two sides pledged to maintain and strengthen their "traditionally good relations." Iran had hoped to come away with an economic aid package.

Relations between the two have been strained in recent years. Student and leftist groups in West Germany, often prompted by expatriate Iranian students there, have staged anti-Iranian demonstrations in several German cities protesting the Shah's "autocratic" rule. In addition, West German President Heinemann made what the Iranians construed as anti-Shah remarks prior to the 2,500th anniversary celebrations last fall.

West Germany and Iran have an interest in keeping their relations on an even keel. Germany is Iran's biggest customer; Iran is Germany's second largest Asian market and is looked to as an increasingly important source of oil. Tehran has a continuing requirement for German investment capital, technological know-how, and markets for its expanding exports.

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ARGENTINA: President Lanusse's cabinet re-organization does not appear to signal any major policy changes.

Four of the 12 ministerial resignations given to the president last Thursday have been accepted, but the key interior and finance ministers have been confirmed in their posts. Lanusse named relative unknowns to the ministries of commerce and industry, and he will fill the defense and agriculture portfolios later.

The retention of Interior Minister Mor Roig and Minister of Treasury and Finance Licciardo suggests that Lanusse plans no more than minor adjustments in his political and economic policies in the near future. Lanusse's economic policies, in particular, have come under attack as inflation continues to mount, but he probably hopes that the retention of Licciardo will reassure Argentina's foreign creditors, who are considering new loans to support the current economic reform program.



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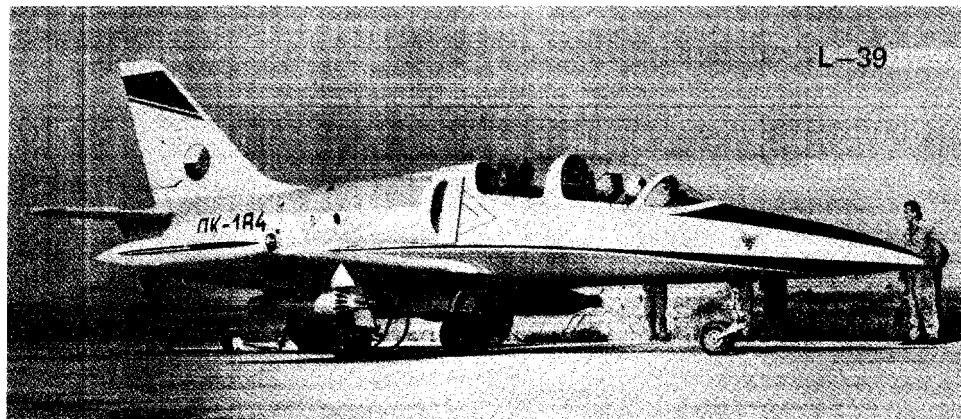
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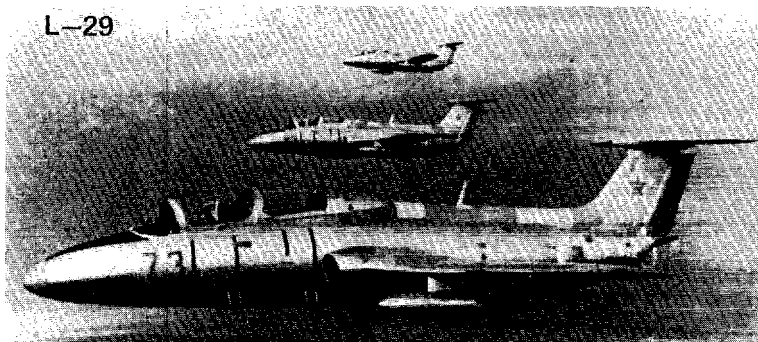
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Czech L-39 Entering Production



Length 40 feet
Span 30 feet
Speed 395 knots
Radius 400 nautical miles



Length . . . 35 feet
Span 34 feet
Speed 350 knots
Radius . . . 180 nautical miles

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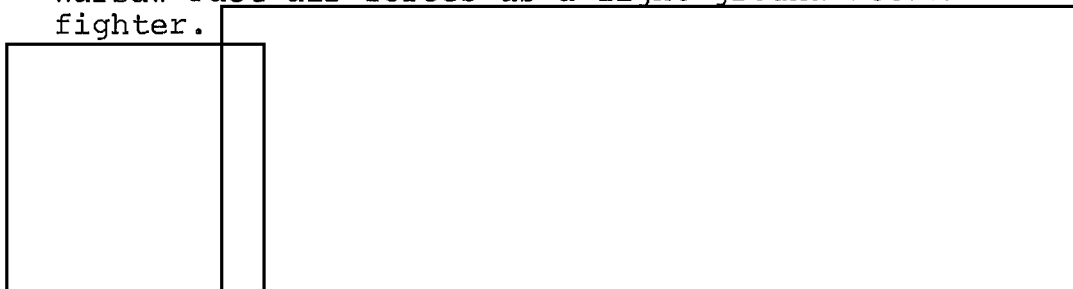
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CZECHOSLOVAKIA: The new Czechoslovak L-39 jet trainer is entering production at the Aero airframe plant in Vodochody.

The L-39 is a successor to the L-29 that is in service in large numbers with Communist and non-Communist countries, mainly as a basic jet trainer. The L-39 is an entirely new design incorporating structural and performance improvements. The Czechoslovaks have built about 4,000 L-29s since 1963, and production probably will be phased out as L-39 production increases. Czechoslovak officials have stated that some 500 L-39s are to be produced by 1975, with 300 slated for use by the USSR and the remainder by the Czechoslovak and East German air forces.

Versions of the L-39 that are capable of carrying cannons, rockets, missiles, and bombs may eventually also be produced for export and use by Warsaw Pact air forces as a light ground attack fighter.



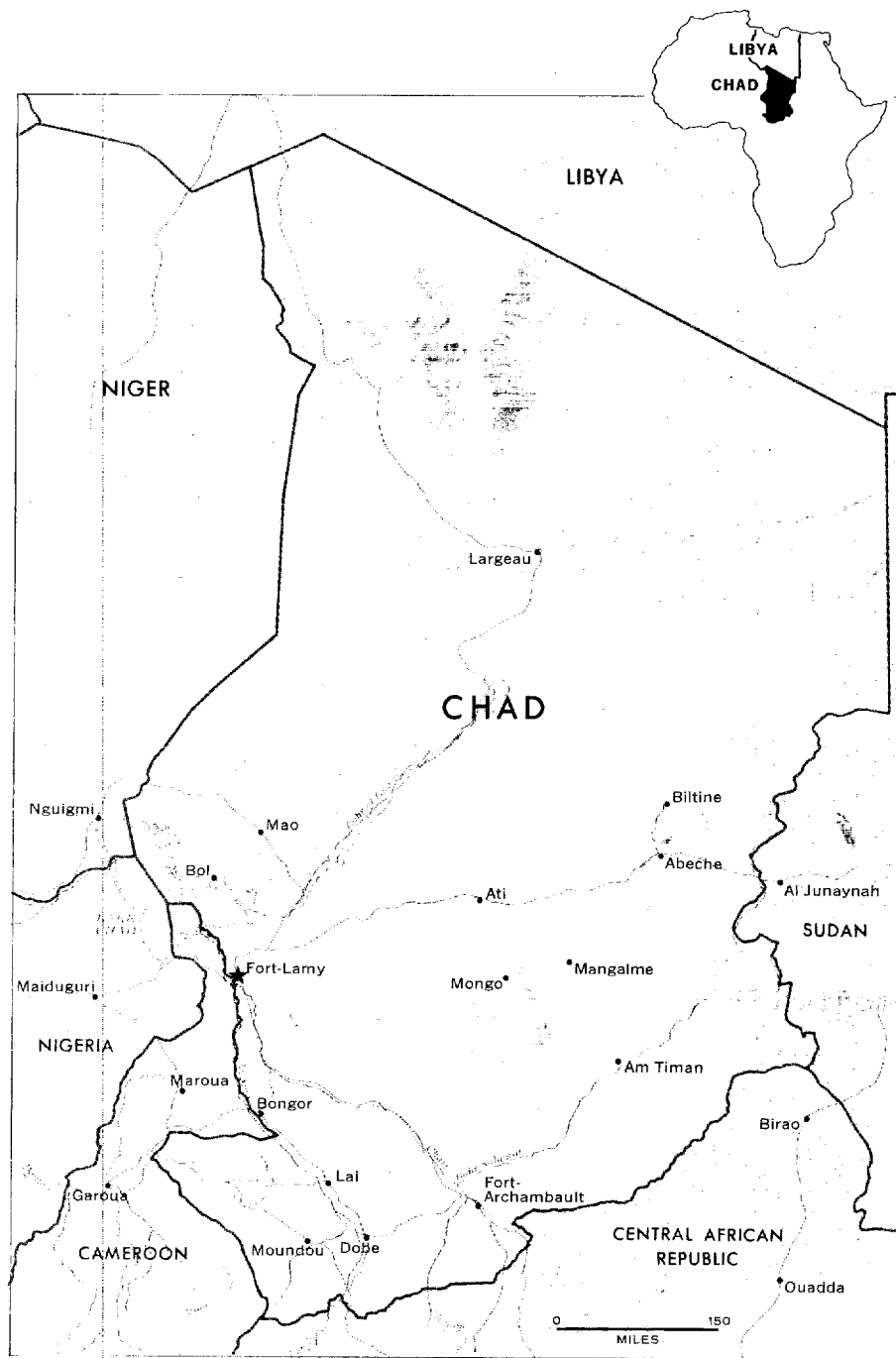
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CHAD: President Tombalbaye and the French are concerned about the new arms supplies reaching Muslim rebels in east and central Chad.

Insurgency first broke out in this region in 1965, but by early last year rebel activity had been significantly reduced with the aid of French military operations and Chadian Government negotiations with local tribes. In recent weeks, however, new arms caches have been uncovered; French and Chadian authorities believe the arms came from Libya via Sudan. In addition, three French helicopters have been downed by rebel groundfire, causing the first significant French casualties in over a year.

The French Government is anxious for domestic reasons to forestall a major flare-up of the insurgency, and it has sent a 120-man special unit to supplement the 2,170 troops and advisers it is maintaining in Chad. The unit's mission will be to train Chadian forces to conduct interdiction patrols along the Chad-Sudan border. Tombalbaye seems to be getting cooperation from the Sudanese Government, with which he has established friendly ties. Khartoum's press announced on 3 March that security forces will prevent Sudan from being used as a base against Chad. Subsequently, Khartoum reportedly ordered all armed Chadians expelled from the country. Nevertheless, Sudanese ability to control the situation along its borders with Chad is doubtful at best.

There is little doubt that Libya is behind the arms traffic. Since relations with Chad were severed last summer, the Qadhafi regime has openly supported the rebels and has given official recognition to the principal rebel group. The Libyans reportedly are providing training and support facilities for anti-Chadian rebels and are said to have established logistical bases along the border, intended in part

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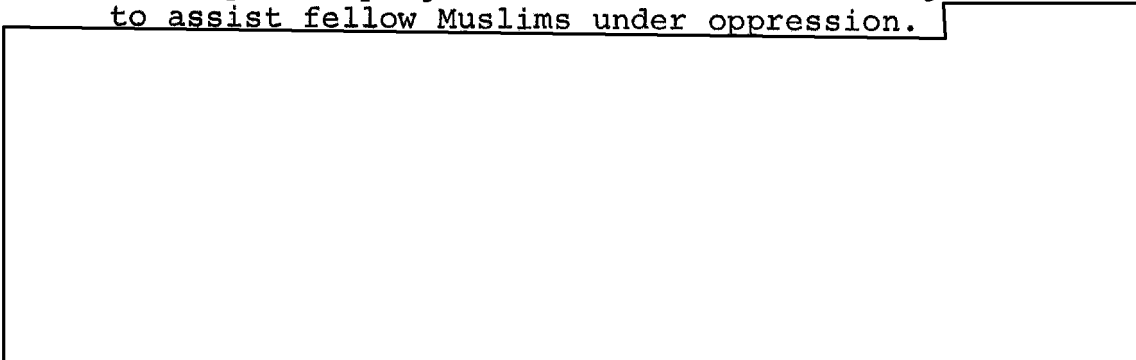
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to serve the rebels. Libya and Chad are engaged in continuing and acrimonious propaganda warfare, and there is no sign that the Libyan leadership will give up a campaign that it sees as an obligation to assist fellow Muslims under oppression.



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CYPRUS: Archbishop Makarios probably will respond soon to his Bishops' request that he resign as president. In a recent conversation with a Canadian official, Makarios acknowledged that the Bishops' request had put him in a difficult position. It appears that Makarios will deal with this new threat to his leadership before replying formally to the Greek demarche of 11 February, despite Athens' renewed pressure for an immediate response. Speculation continues that he will resign. Meanwhile, demonstrations for and against the Archbishop are continuing. Yesterday, 4,000 to 5,000 students marched through Nicosia, presumably in answer to smaller anti-Makarios student demonstrations the previous day. So far, there have been no serious clashes, but in the tense atmosphere, a minor incident could provoke violence.

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CUBA: With the signing of the Chinese trade protocol on 4 March, Havana has concluded trade agreements for 1972 with all its Communist trading partners. In contrast with past years, press announcements have contained little information on the over-all levels of trade and aid. The absence of such detail supports the view that trade with Communist countries probably will fall somewhat below the estimated \$1.5 billion registered last year. Most of the expected decline will be reflected in lower Cuban exports to those areas resulting from this year's poor sugar crop, and imports from Eastern Europe and China may also drop. Abnormally high prices on the world sugar market, however, will enable Cuba to increase its earnings and purchases in trade with the non-Communist world. Total Cuban exports and imports, therefore, will be at about their 1971 levels of \$825 million and \$1.4 billion, respectively, with the \$600-million deficit largely made up by the USSR.

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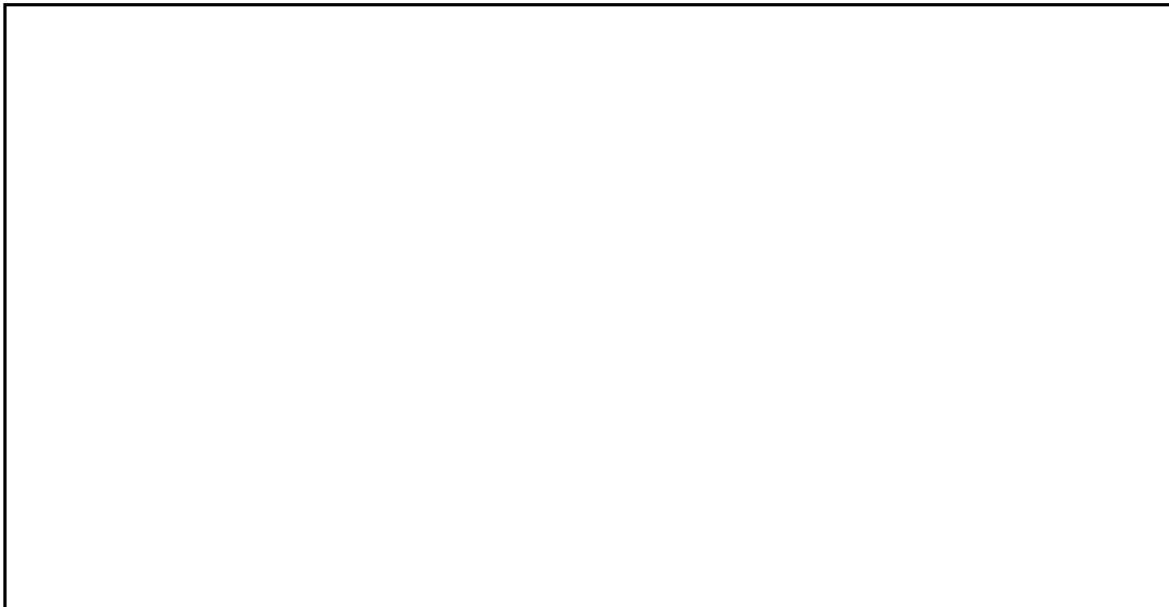
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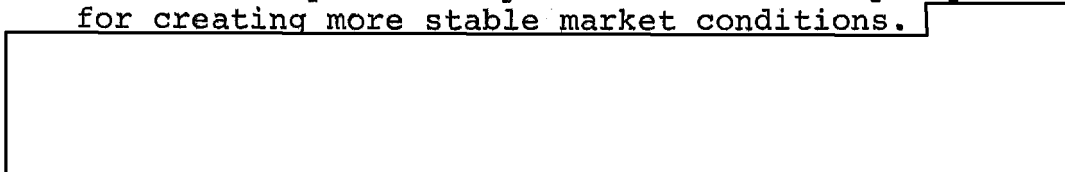
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YUGOSLAVIA: Recent price adjustments have clouded prospects that the government will be able to limit price rises this year to the planned five percent. Increases in turnover taxes have resulted in large price hikes for coffee and gasoline, key consumer items. These follow increases last week in the price of several food products, including edible oil, milk, and other dairy products. A high-level Yugoslav official has pointed out that such administrative juggling of prices will do little to improve the price structure or prospects for creating more stable market conditions.

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